

Message

From: POLITICO Pro Energy [politicoemail@politicopro.com]
Sent: 3/13/2018 8:18:56 PM
To: Block, Molly [block.molly@epa.gov]
Subject: Afternoon Energy, presented by Chevron: Zinke on the defensive — Pompeo's rise would put climate skeptic at State — Riders holding up omnibus

By Caitlin Oprysko and Garrett Ross | 03/13/2018 04:17 PM EDT

With help from David Beavers

ZINKE ON THE DEFENSIVE: Interior Secretary Ryan Zinke faced a tough round of questioning from senators on the Energy and Natural Resources Committee today, defending the department's proposed budget cuts, his spending and travel habits and his stance on climate change at a hearing to discuss Interior's funding proposal for 2019.

Resents? Zinke has a few: Maria Cantwell pressed Zinke today on whether he thought it was "a mistake" that he "took a private jet home from Las Vegas," Ben reports. Zinke was quick to defend his travel, saying "I never took a private jet anywhere" and pointing to reports that Obama officials had spent nearly \$1 million on chartered aircraft. Cantwell, ranking member of the Energy and Natural Resources Committee, also brought up the \$139,000 Interior spent on doors for Zinke's office in light of his proposal to increase visitors fees for national parks. "I resent the facts of your insults," Zinke said. "I resent the facts of your misleading. I resent the facts of doors." Read more here.

In response to questioning from Nevada's Catherine Cortez Masto on the Trump administration's proposals to shift funding away from renewables like wind and solar despite promoting an "all of the above energy" strategy, Zinke told the panel Interior's request "reflects the expected demand." Cortez Masto then challenged what that would similarly mean for offshore drilling. Zinke said that March's planned offshore lease will "be a bellwether in interest" in determining demand for offshore leases. Pro's Kelsey Tamborrino has more.

During an exchange with Mazie Hirono, Zinke said he doesn't "have a problem with climate change. I've always said three things: Climate is changing, as it always has, it's changing in ways we don't understand, and man has been an influencer on this." He disputed reports of interference on Interior reports on climate change, telling Hirono he'd never changed so much as a comma and challenging the committee to find a report he had supposedly altered. More here from Kelsey.

Zinke not digging the data yet: Zinke said more analysis is needed before he decides whether to lower offshore drilling royalty rates. "The data is not conclusive," he told Angus King today. "There's no doubt when [the Royalty Policy Committee] presents the recommendations to me, the supporting data will be there." Read more here.

Welcome to Afternoon Energy! I'm your host Caitlin Oprysko. Send suggestions, news and tips to coprysko@politico.com, mdaily@politico.com and njuliano@politico.com, and keep up with us on Twitter at [@caitlinoprysko](https://twitter.com/caitlinoprysko), [@dailym1](https://twitter.com/dailym1), [@nickjuliano](https://twitter.com/nickjuliano), [@Morning_Energy](https://twitter.com/Morning_Energy) and [@POLITICOPro](https://twitter.com/POLITICOPro).

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REXIT DAY HAS ARRIVED: In a surprise shake up, former Exxon Mobil CEO Rex Tillerson is out at State, and the pick to replace Tillerson is CIA Director Mike Pompeo, President Donald Trump announced in a tweet

this morning. Trump told reporters following the firing that he and Tillerson didn't see eye to eye on many issues, and POLITICO's Louis Nelson and Nahal Toosi [report](#) that the White House wanted the transition to begin as soon as possible ahead of diplomatic talks with North Korea.

If Pompeo is confirmed, it would put an outspoken climate skeptic at the head of the State department. Pompeo has slammed the Paris climate accord, and would likely be a more willing partner in helping Trump pull out of the pact, Pro's Emily Holden [reports](#). Pompeo, then a House Republican from Kansas, said that by joining the 2015 climate deal, former President Barack Obama was bowing "down to radical environmentalists, all the while refusing to stand up to radical Islamists."

Myron Ebell, the energy director at the Competitive Enterprise Institute who worked in the presidential transition, told Emily that opponents of climate action see Tillerson's leaving as an opportunity. "In terms of the climate debate, I would say this is very good news," Ebell said. "Pompeo has been very skeptical of the international negotiations that led to Paris, so I'd say we're in a stronger position today than with Tillerson there."

EPA MOVES TO SIMPLIFY PERMITTING PROGRAM: In a [memo](#) today, EPA Administrator Scott Pruitt said his agency is changing its interpretation of a key permitting program, Alex Guillen reports. Past policy "had the practical effect of preventing certain projects from going forward and significantly delaying others, even though those projects would not have resulted in a significant emissions increase," Pruitt wrote. Under the new interpretation, power plants, refineries and other major emitters can now factor in the pollution reductions associated with a major project along with its emissions increases within the first step of a two-part process. Projects that are calculated in the first step to not significantly increase emissions can then obtain minor source permits from states. It also eases the process for companies to obtain the minor source permit instead of the more complicated New Source Review permit. The announcement quickly drew praise from industry groups. Read more [here](#).

PRUITT V. CALIFORNIA: EPA Administrator Scott Pruitt dealt a blow to California's efforts to effectively control federal auto emissions standards, dismissing the idea of setting emissions standards past 2025 in an interview with [Bloomberg](#). EPA has until April 1 to decide whether to revise Obama-era CAFE standards for cars and light-duty trucks for 2022-2025. California regulators had previously said they would be willing to consider revisions by EPA to the 2022-2025 standards if EPA agreed to tack on another five-year chunk of emissions guidelines. Pruitt's dismissal sets up a showdown with the state, if EPA refuses to budge on the post-2025 standards and California refuses to go along with potential changes to the 2022-2025 standards. Read more from Pro's Alex Guillen [here](#).

DEMOCRATS STILL FIGHTING RIDERS ON OMNIBUS: House GOP leaders are eyeing a Friday vote for a trillion dollar spending package, but Minority Whip [Steny Hoyer](#) said today that more than 100 contentious riders are "still in play," Pro Budget & Appropriations' Sarah Ferris [reports](#). "There are environmental riders, there are women's health issues pending," Hoyer said. "There are campaign finance reform riders that they're trying to sneak in." House Democrats are pushing for a "clean" spending bill, with some exceptions, Hoyer explained.

Meanwhile, more than 60 business groups [wrote](#) congressional leaders and tax writers Monday urging them to extend a number of short term tax incentives through at least the end of the year, noting that the omnibus would be the ideal vehicle for the extensions. The groups — which include energy, construction, agriculture and transportation interests — say that uncertainty about the provisions is "hindering the creation of jobs and economic growth in the private sector." Their letter comes before a Wednesday House Ways and Means Committee [hearing](#) on the tax extenders. Pro Tax's Toby Eckert has more [here](#).

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Zinke 'resents' questions on his spending on private flights, doors [Back](#)

By Ben Lefebvre | 03/13/2018 11:59 AM EDT

Interior Secretary Ryan Zinke said he was insulted by questions over his travel and expenses at a congressional hearing today and argued that he was spending less than his predecessor on travel.

The secretary responded forcefully after Sen. [Maria Cantwell](#), the ranking member of the Energy and Natural Resources Committee, said Zinke "took a private jet home from Las Vegas," and asked if he thought "that was a mistake."

"I never took a private jet anywhere," Zinke defended his practice, and pointed to [reports](#) that Obama-era officials had spent nearly \$1 million on chartered aircraft.

Zinke defended his three uses of non-commercial aircraft as necessary to make it to official events in Alaska, the Virgin Islands, Nevada and Montana last year. But neither he nor Cantwell mentioned that the [charter flights](#) he took from Las Vegas to Montana also allowed him to give a speech to a hockey team owned by one of his biggest [campaign](#) donors.

"I resent the facts of your insults," Zinke continued in response to her question. "I resent the facts of your misleading. I resent the facts of doors."

During her opening statement, Cantwell had referenced the \$139,000 Interior spent on [doors](#) for Zinke's office in light of his proposal to increase visitors fees for national parks.

Cantwell said she would send written questions to Zinke asking for details about his use of private flights. Interior's inspector general is also looking into Zinke's spending on travel.

WHAT'S NEXT: Zinke is scheduled to appear at the House Natural Resource Committee budget hearing Thursday.

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Zinke defends renewable energy cuts [Back](#)

By Kelsey Tamborrino | 03/13/2018 01:19 PM EDT

Interior Secretary Ryan Zinke defended proposed budgetary cuts to renewables today, again calling out wind for killing birds.

During a hearing on the president's budget request for fiscal 2019, Nevada Sen. Catherine Cortez Masto challenged Zinke on why the president's budget makes cuts to renewables including wind and solar, while the agency touts an "all of the above energy" strategy.

"Our budget reflects the expected demand," Zinke told the panel, prompting Cortez Masto to challenge what that would similarly mean for offshore drilling, which Zinke said had riskier demand.

"Did I not just hear you say in offshore oil drilling there is low demand, but yet you're increasing the budget?" the Nevada Democrat asked.

"That's not what I am saying. ... No, what I said is in offshore, we'll see," the Interior secretary said. "The lease is in March, I think it's going to be a bellwether in interest."

Interior's budget request sought to shift renewable funding to fossil energy programs in several offices. For example, the Bureau of Land Management would see \$12 million cut from its renewable programs, in favor of adding \$8.7 million to coal and \$16 million to oil and gas accounts. And the Bureau of Ocean Energy Management request moves about \$3 million from renewables to conventional energy.

Zinke also said he was criticized for saying last week that wind kills 750,000 birds annually, and instead cited an U.S. Geological Survey study that said the turbines killed 800,000 bats and 573,000 birds.

"So, wind chomps up a lot of birds," Zinke said today.

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Zinke: 'I don't have a problem with climate change' [Back](#)

By Kelsey Tamborrino | 03/13/2018 01:09 PM EDT

Interior Secretary Ryan Zinke defended his agency against attacks of political interference to staff who aim to present science, "even if it includes the words climate change."

"I'm a strong believer of science," Interior Secretary Ryan Zinke said today, during an exchange with Sen. Mazie Hirono at a Senate Energy Committee hearing on the president's fiscal 2019 budget request.

"I don't have a problem with climate change," Zinke said. "I've always said three things: climate is changing, as it always has, it's changing in ways we don't understand, and man has been an influencer on this."

The secretary continued that he's never altered Interior Department reports on climate change.

"There is no incident at all that I know of that we ever changed a comma on a document," he said. "Instead, we may have on a press release, as this is how we announce it, but I don't know of any document that we've changed."

Zinke challenged the committee to find any document "we've actually changed," but said that he had the right as secretary to read all reports prior to release and ask questions if he has them.

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Zinke: Data 'not conclusive' that low offshore royalty rates drive business [Back](#)

By Ben Lefebvre | 03/13/2018 12:19 PM EDT

Interior Secretary Ryan Zinke said data were "not conclusive" as to whether Interior should lower royalty rates for offshore oil and gas production.

Interior's Royalty Policy Committee voted in February to recommend the agency lower the rates by a third, to the legal limit of 12.5 percent, to help spur more drilling in the Gulf of Mexico. Critics have complained that too many oil and gas industry executives sit on the committee while taxpayer or environmental groups have no representation.

Zinke, speaking to Sen. Angus King (I-Maine) during a Senate Energy Committee hearing on Trump's proposed budget for 2019, said "there's an argument" to be made for lowering the royalty rates.

"Argument is not data," King said.

"I agree with you," Zinke responded. "The data is not conclusive. There's no doubt when [the Royalty Policy Committee] presents the recommendations to me, the supporting data will be there."

Zinke went on to say that oil and gas companies currently working the Gulf of Mexico "are doing very well" at current royalty rate levels.

King also asked Zinke to take the federal waters off Maine out of Interior's five-year offshore drilling proposal, saying the state meets many of the same criteria for which Zinke said he would remove Florida from the plan. Later in the hearing, Zinke noted that Maine has no significant known oil reserves off its shores.

WHAT'S NEXT: King asked Zinke to provide more information on the Royalty Policy Committee membership.

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In sudden move, Tillerson out, Pompeo to be new secretary of state [Back](#)

By Louis Nelson and Nahal Toosi | 03/13/2018 08:51 AM EDT

President Donald Trump said Tuesday he is removing Rex Tillerson after a rocky tenure and nominating CIA Director Mike Pompeo in his place, a shake-up that appeared to take the secretary of state by surprise.

"I've worked with Mike Pompeo now for quite some time," Trump told reporters outside the White House. "Tremendous energy. Tremendous intellect. We're always on the same wavelength. The relationship has been very good, and that's what I need as secretary of state."

Trump said he and Tillerson did not see eye-to-eye on major foreign policy issues, naming as an example the Iran nuclear deal. The president said he thought it was a bad agreement, but he said Tillerson supported it.

"I wish Rex Tillerson well," the president said. "I'm really at a point where we're getting very close to having the Cabinet and other things that I want."

"I think Rex will be much happier now," he said.

Trump and Tillerson have been frequently at odds since the former ExxonMobil CEO took over at Foggy Bottom. But a spokesman for Tillerson said Tuesday he had not been planning to leave and wasn't sure why he was being ousted now.

"The secretary had every intention of remaining because of the tangible progress made on critical national security issues," said Steve Goldstein, under secretary of state for public affairs. "The secretary did not speak to the president this morning and is unaware of the reason, but he is grateful for the opportunity to serve, and still believes strongly that public service is a noble calling and not to be regretted."

Later on Tuesday, the State Department said Goldstein, too, would leave.

Tillerson, in farewell remarks from the State Department briefing room, said he would hand off his responsibilities to Deputy Secretary of State John Sullivan but remain officially in his post through the remainder of the month.

"What is most important is to ensure an orderly and smooth transition during a time that the country continues to face significant policy and national security challenges," a visibly emotional Tillerson, who did not take questions, told reporters.

Tillerson said he would encourage other State Department officials to remain in their jobs. He touted the administration's campaign to increase pressure on North Korea and warned that Russia's current trajectory is likely to lead to greater isolation on their part, a situation which is not in anyone's interests."

Tillerson's exit removes a source of frustration to Trump and elevates an official, Pompeo, who more closely shares his worldview. A senior White House official said Trump wanted Tillerson out so he could have his new team in place before upcoming talks with North Korea. The president agreed last week to sit down with North Korean leader Kim Jong Un. Tillerson had said just hours before Trump's announcement that such negotiations were a long way off.

"I don't think they see eye-to-eye on anything," said one senior administration official.

The strength of the secretary's relationship with Trump has been a regular source of speculation. Tillerson reportedly referred to the president as a "moron" last year, and while the secretary held an impromptu press conference in the wake of that report, he did not outright deny having used the term.

Tillerson also went further than the president in condemning the Russian government for its alleged role in the attempted assassination of a former Russian spy in the United Kingdom earlier this month. Tillerson said Monday that the attempted murder "clearly came from Russia" and "certainly will trigger a response." White House spokeswoman Sarah Huckabee Sanders declined to explicitly blame Russia at her briefing that day, though Trump on Tuesday said, "It sounds to me like they believe it was Russia, and I would certainly take that finding as fact."

Trump has fired aides without warning before. Then-chief of staff Reince Priebus found out last summer that he had been replaced when Trump announced that John Kelly would be his new chief. Former FBI Director James Comey was alerted to his own firing last year by media reports, since he was not in Washington when a White House aide delivered Comey's termination letter to the bureau's Pennsylvania Avenue headquarters.

Pompeo's favored status in the West Wing for months led administration officials to view him as Tillerson's likely replacement. Trump was at one point expected to tap Sen. Tom Cotton (R-Ark.) to run the CIA, but the White House hesitated to put another Senate seat on the table ahead of the 2018 midterms, according to a person close to Cotton. The potential offer also became less attractive to the senator, who would have been giving up a safe Senate seat to run the CIA for just two and a half years if Trump loses reelection.

"I respect his intellect. I respect the process that we've all gone through together. We have a very good relationship, for whatever reason," Trump said of Pompeo. "I actually got along well with Rex, but really, it was a different mind set. It was a different thinking."

"I am deeply grateful to President Trump for permitting me to serve as Director of the Central Intelligence Agency and for this opportunity to serve as Secretary of State," Pompeo said in a statement. "His leadership has made America safer and I look forward to representing him and the American people to the rest of the world to further America's prosperity."

The Senate Foreign Relations Committee said Tuesday it expects to hold a hearing on Pompeo's nomination in April.

Sen. Bob Menendez (D-N.J.), the ranking member on the Senate Foreign Relations Committee, warned that instability at the State Department would create challenges for U.S. foreign policy, especially amid preparations for Trump's announced meeting with North Korea's leader.

"The problem is not the question of having talks," Menendez said. "The problem is the preparation that has to go into it in order to try to have a successful result in such talks."

Senate Armed Services Committee member Claire McCaskill (D-Mo.) cautioned that "being impulsive might work in a real estate deal. I'm not sure it works in foreign policy." She conceded though that she had "not thought about Pompeo seriously in the context of being secretary of state, and that's the work I need to do now."

Tillerson's ouster and the president's selection of Pompeo to replace him earned mixed reviews from Obama administration veterans who, as a group, have been widely critical of Tillerson's leadership at the State Department. Tommy Vietor, a former National Security Council spokesman under Obama who now co-hosts a popular anti-Trump podcast, wrote on Twitter that Tillerson was "probably the worst Secretary of State in modern history. He gutted and demoralized the department and delivered nothing for this country."

He cautioned that he fears "what comes next but am glad he's finally gone."

Inside Tillerson's State Department, rank-and-file opinion of the secretary was reportedly not much better. Current and former department officials said last November, amid a swirl of rumors that Tillerson might have been on his way out, that a shift to Pompeo would be welcomed in the hopes that his closer relationship to Trump might enliven the department's role in the government. Brett Bruen, a former State Department official, said Tuesday that "there is strong sense of relief at State. The last year has been traumatic to put it mildly."

Before being nominated by Trump to run the CIA, Pompeo was a three-term Republican congressman from Kansas. He has degrees from Harvard's law school and the U.S. Military Academy, from which he graduated first in his class.

Pompeo has previously expressed skepticism towards climate change science, remarking in 2013 that "there are scientists that think lots of different things about climate change. There's some who think we're warming, there's some who think we're cooling." That stance has raised red flags among some climate advocates.

Gina Haspel, who Trump said would replace Pompeo and who was named the CIA's deputy director last year, is an agency veteran who in 2002 ran one of its detention sites in Thailand, where she oversaw the torture of two terrorism suspects, according to a New York Times report. Tapes of those interrogations, which included waterboarding and smashing one suspect's head into a wall, were ordered destroyed in 2005, the Times reported.

"After 30 years as an officer of the Central Intelligence Agency, it has been my honor to serve as its Deputy Director alongside Mike Pompeo for the past year," Haspel said in a statement. "I am grateful to President Trump for the opportunity, and humbled by his confidence in me, to be nominated to be the next Director of the Central Intelligence Agency."

While the CIA's tactics in the initial years of the war on terrorism have been widely controversial, Trump himself has expressed support for such techniques. On the 2016 campaign trail, Trump said he supported the use of waterboarding, a technique by which a subject is made to feel like they are drowning, and said he would resurrect its use. After his inauguration, the president said he would defer on the question of waterboarding to Pompeo and Defense Secretary James Mattis.

Eliana Johnson, Matthew Nussbaum, Emily Holden, Connor O'Brien and Daniel Lippman contributed to this report.

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Pompeo's rise puts a climate skeptic atop State Department [Back](#)

By Emily Holden | 03/13/2018 03:24 PM EDT

Secretary of State Rex Tillerson's dramatic ouster Tuesday removes another moderate voice on international climate change policy from the Trump administration, worrying environmentalists and exciting conservatives.

Tillerson's announced replacement, CIA Director Mike Pompeo, shares President Donald Trump's doubts about climate change and would be a more willing partner in the plan to pull the United States out of the Paris climate deal.

As a Republican member of Congress representing Kansas, Pompeo slammed former President Barack Obama's decision to join the 2015 pact, saying he was bowing "down to radical environmentalists, all the while refusing to stand up to radical Islamists." During his confirmation hearing to lead the CIA last year, Pompeo sidestepped questions about climate change.

Myron Ebell, the energy director at the Competitive Enterprise Institute who worked in the presidential transition, said opponents of climate action see Tillerson's leaving as an opportunity.

"In terms of the climate debate, I would say this is very good news," Ebell said. "Pompeo has been very skeptical of the international negotiations that led to Paris, so I'd say we're in a stronger position today than with Tillerson there."

Tillerson tried to convince Trump to change his mind last year and stick with the agreement. And the State Department sent a delegation to climate talks in Bonn, Germany, last November despite Trump's announced decision to exit the underlying Paris deal.

Other moderates in the White House stood by Tillerson on climate change, including Ivanka Trump, Jared Kushner, National Economic Council Director Gary Cohn and the president's special adviser on international energy and climate issues George David Banks. Cohn and Banks have also left the White House in recent weeks, and Kushner has seen his profile downgraded following questions about his security clearance.

Under the terms of the Paris deal, the U.S. cannot formally exit until 2020, but it is unclear whether Pompeo would continue to participate in talks until then, including a session in Poland scheduled for the end of this year. Undersecretary for Political Affairs Thomas Shannon, the likely delegation head, plans to vacate his post, and Pompeo will pick his replacement.

As the president's top foreign policy adviser, Pompeo will be navigating a broad portfolio that includes evolving diplomatic relations with North Korea and consideration of a Middle East peace deal, and climate change may not be high on his radar, noted Andrew Light, a senior climate change adviser at Obama's State Department.

"I would say going into State, it's not on the top of the list of problems he needs to be fixing or needs to be asserting himself on," Light said.

Banks, who promoted coal use on behalf of the White House at the discussions in Bonn, said there is still "consensus across the administration that the United States needs to be engaged actively in order to protect its interests, its commercial interests, including the interests of its fossil fuel industry."

Pompeo could also change direction on some climate programs that have continued under Trump, including USAID's financial support for developing countries to invest in adaptation and clean tech.

Alden Meyer, director of strategy and policy for the Union of Concerned Scientists, said much will depend on where climate change falls on Pompeo's list of priorities.

"Tillerson's stance was one of benign neglect. He didn't spend much time on the issue. It wasn't a priority," Meyer said. "The question would be — would Pompeo give it much attention, and if so, in what direction?"

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Pruitt eases air permitting requirements [Back](#)

By Alex Guillén | 03/13/2018 01:32 PM EDT

EPA Administrator Scott Pruitt said today that his agency is changing its interpretation of a key permitting program to make it easier for companies to avoid a complicated permitting process.

Past policy "had the practical effect of preventing certain projects from going forward and significantly delaying others, even though those projects would not have resulted in a significant emissions increase," Pruitt wrote in a [memo](#) today.

Companies must obtain "pre-construction" permits from EPA before building a new source or making major changes to an existing one. A two-step process determines whether a project's emissions are significant enough to trigger a more complicated and expensive evaluation.

Under Pruitt's new interpretation, power plants, refineries and other major emitters can now factor in the pollution reductions associated with a major project along with its emissions increases within that first step. Projects that are calculated in that first step to not significantly increase emissions can then obtain minor source permits from states.

But those that would significantly increase emissions must conduct a more thorough New Source Review evaluation that also could require more expensive pollution controls.

The new interpretation makes it easier for companies to obtain the minor source permit instead of the more complicated NSR permit, and it quickly drew praise from the American Petroleum Institute and American Fuel & Petrochemical Manufacturers.

EPA in December [said](#) it will ease its enforcement of the NSR permitting program and will not "second guess" industry projections.

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Pruitt says no post-2025 car standards, could lead to fight with California [Back](#)

By Alex Guillén | 03/13/2018 12:34 PM EDT

EPA Administrator Scott Pruitt said he will not allow California to effectively control federal auto emissions standards, teeing up a potentially bruising legal battle with the Golden State, according to an interview with Pruitt in [Bloomberg](#).

"California is not the arbiter of these issues," Pruitt told Bloomberg. The state can regulate emissions within its borders, "but that shouldn't and can't dictate to the rest of the country what these levels are going to be."

Pruitt specifically added that he is not "presently" considering issuing greenhouse gas emissions standards past the 2025 levels set under the Obama administration. California regulators said they would be willing to consider changes to the 2022-2025 standards if EPA would commit to issuing another five-year chunk that continued to improve on emissions.

"Being predictive about what's going to be taking place out in 2030 is really hard," Pruitt said. "I think it creates problems when you do that too aggressively. That's not something we're terribly focused on right now."

If EPA will not budge on the post-2025 standards, California may not agree to go along with changes to the 2022-2025 standards. That could lead to a regulatory patchwork, with automakers having to comply with stricter standards set by California and followed by a dozen other states, and weaker federal standards elsewhere in the U.S.

California Air Resources Board Chairman Mary Nichols told Bloomberg only that there is "nothing new" to say about negotiations with EPA.

WHAT'S NEXT: Pruitt faces an April 1 deadline to decide whether to revise standards set under the Obama administration for 2022-2025. Automakers have urged EPA to relax the rules.

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Hoyer: 100 riders 'still in play' in omnibus fight [Back](#)

By Sarah Ferris | 03/13/2018 12:47 PM EDT

House Minority Whip [Steny Hoyer](#) said today that Democrats are still fighting "over 100" contentious riders on this month's massive spending bill.

Appropriators are staring down a huge pile of unsettled issues just one day before they aim to finish talks and file text of a \$1.3 trillion package to fund the government at updated levels for the current fiscal year.

House GOP leaders [hope to vote](#) on the bill by Friday, a full week ahead of the March 23 funding deadline. But Hoyer said there are "a lot of riders apparently still in play."

"There are environmental riders, there are women's health issues pending," he said. "There are campaign finance reform riders that they're trying to sneak in."

House Democrats are pushing for a "clean" spending bill, with some exceptions, Hoyer explained.

New York's Nita Lowey, the House Appropriations Committee's top Democrat, recently proposed that her GOP counterparts "drop every rider, no matter who's for it" and have a "rider-less" bill, Hoyer said. But the minority whip backtracked when asked if that means Democrats won't seek promises on gun control or deportation protections for young immigrants.

"If we have agreement on legislative items ... if we have agreement on those, I would have no objection to putting those in the omnibus so we could get those done," Hoyer said.

Heather Caygle contributed to this report.

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Business groups press for tax extenders [Back](#)

By Toby Eckert | 03/13/2018 12:17 PM EDT

More than 60 business associations are urging congressional leaders and tax writers to extend numerous short-term tax incentives at least through 2018, citing the omnibus spending package as a possible vehicle.

The groups — including energy, construction, transportation and agricultural interests — said in a letter to the lawmakers that uncertainty about the provisions is "hindering the creation of jobs and economic growth in the private sector." Congress revived the roughly three dozen tax breaks as part of its recent budget agreement, but only retroactively for 2017.

"Extending these provisions through 2018 helps avoid these negative outcomes, and does so in a way that does not preclude Congress from reviewing the efficacy of expiring tax provisions during the 2nd Session of the 115th Congress," said the letter, dated Monday.

The groups asked for the extensions "as soon as possible," as part of "the forthcoming omnibus appropriations bill or ... the first appropriate legislative vehicle."

The House is planning to release the omnibus spending bill on Wednesday. The letter also comes ahead of a House Ways and Means Committee hearing Wednesday on the pros and cons of extenders.

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Trump demands aides pump up anti-China tariffs [Back](#)

By Adam Behsudi and Andrew Restuccia | 03/13/2018 02:26 PM EDT

President Donald Trump is getting ready to crack down on China.

Trump told Cabinet secretaries and top advisers during a meeting at the White House last week that he wanted to soon hit China with steep tariffs and investment restrictions in response to allegations of intellectual property theft, according to three people familiar with the internal discussions.

During the meeting, which hasn't been previously been reported, U.S. Trade Representative Robert Lighthizer presented Trump with a package of tariffs that would target the equivalent of \$30 billion a year in Chinese imports. In response, Trump urged Lighthizer to aim for an even bigger number - and he instructed administration officials to be ready for a formal announcement in the coming weeks, according to two people involved in the administration's trade deliberations.

That sent senior officials at the White House, Treasury Department, State Department, Justice Department, the Office of the U.S. Trade Representative and other key agencies scrambling this week to finalize the proposal. While the details were still in flux, aides said the administration is considering tariffs on more than 100 Chinese products ranging from electronics and telecommunications equipment to furniture and toys.

Those tariffs are expected to be rolled out as soon as next week, the officials said, adding that the timing could slip. The pending announcement comes after Trump unveiled steep duties on steel and aluminum imports, infuriating Republicans in Congress and many of his own aides.

The Office of the U.S. Trade Representative and the White House declined to comment, and the Treasury Department did not immediately comment. "We don't comment on internal meetings, but no final decisions have been made on content or timing," said a White House official.

The president has long promised to get tough on trade, but the issue has provoked fierce division among his advisers. Now, as Trump looks ahead to the midterms and his own reelection campaign, the president has told people close to him that he will no longer allow his staff to stop him from moving forward with policy ideas he strongly supports.

National Economic Council Director Gary Cohn, who strongly opposed the steel and aluminum tariffs, announced last week he will soon resign and Secretary of State Rex Tillerson, who also privately expressed skepticism of Trump's trade proposals, was fired on Tuesday. "I'm really at a point where we're getting very close to having the Cabinet and other things that I want," Trump said Tuesday.

Tariffs on Chinese products could provoke potentially disastrous retaliation against U.S. exporters, including U.S. farmers who rely on the Chinese market as a major destination for soybeans, pork and other commodities, experts have warned.

The go-it-alone approach could also further stoke tensions with U.S. allies that are also opposed to China's trade policies, but may view the action as counterproductive to a broader solution.

But tough action against China could earn more support in Congress than the recent steel and aluminum tariffs, which Republican lawmakers condemned as overly broad and harmful to allies. However, lawmakers could still view any China action with skepticism given the chaotic way in which tariffs were rolled out last week.

In addition to the tariffs, the Treasury Department is still working to finalize restrictions on Chinese investments as part of the upcoming trade action, although they will likely only be introduced "in concept" as officials continue to consider how broad any action should be, according to an administration official familiar with the planning.

The work on the investment restrictions is focused on making the action as legally defensible as possible, not only at the World Trade Organization but also in accordance with the U.S. Constitution and U.S. laws, the official said.

The Treasury, State and Justice Departments have all insisted on a thorough review of the investment restrictions to avoid a repeat of the fallout from Trump's original travel ban, which was knocked down by U.S. courts, the official said.

The administration is also considering restricting Chinese visas or tightening controls on exports of certain goods or technologies that have both military and civilian uses, two of the administration officials said.

The visa restrictions could hit Chinese students going to school in the United States, especially graduate students in science and technology programs, as well as other Chinese nationals working in sensitive jobs like at national laboratories. But some administration officials have raised objections to the visa restrictions and it's unclear whether they'll be included in the final package.

The trade crackdown against China would represent Trump's biggest trade action yet, as he tries to take on Beijing's massive industrial policy, which often results in U.S. corporations losing valuable technology to Chinese state-controlled companies.

The move would also come only weeks after Trump inflamed trade tensions with allies and foes alike by slapping tariffs on imports of steel and aluminum.

"Steel tariffs are one thing. Taking on the entire Chinese industrial policy apparatus that is designed to suck technology out of the world is another," said one outside adviser to the administration who has been briefed on the planning and was not authorized to speak on the record.

The Office of the U.S. Trade Representative has calculated tariffs equivalent to about \$30 billion per year, which they say represents the market value of technology that U.S. companies are forced to hand over each year with little to no compensation in order to do business in China, according to two of the administration official helping plan the action.

The officials added that the administration looked to the Made in China 2025 plan — a coordinated industrial policy Beijing is using to upgrade the country's manufacturing sector — as a guide when crafting the tariffs.

Administration officials are still debating whether to roll out the tariffs in phases, one of the officials said.

"I think China is going to have to respond. The question is, are they going to do that in a targeted way or are they going to escalate dramatically," said Matthew Goodman, a senior adviser and Asian economic expert at the Center for Strategic and International Studies.

Goodman, who served as a White House adviser to both President Barack Obama and President George W. Bush said the proposed tariffs are "not wildly out of proportion with the problem."

A U.S. International Trade Commission investigation from 2011 found that IP theft cost U.S. producers nearly \$26 billion in losses in 2009 on copyrighted material alone. Another study from the U.S. software industry in 2011 put software theft losses as high as \$60 billion.

"After the inevitable explosion you're going to have over this, it's possible that this could bring people back, quietly to the table over time, but I wouldn't predict that in the short term," Goodman said.

In addition to any major retaliation, China will also most likely challenge the tariffs at the World Trade Organization. The United States would likely run afoul of its obligations at the global trading group, where Washington committed to keep its tariffs under a certain level, including with China.

Still, the outside adviser said the Trump administration "seems hell bent on going it alone" against Beijing, rather than organizing a coordinated approach with other trading partners or through a global forum like the WTO.

The European Union, Japan and other close U.S. economic allies similarly view China's trade transgressions - theft of intellectual property and technology among them - as damaging to the global trading system.

But unilateral tariffs against Beijing raise "some serious questions about strategy" and could provide further cover for China as the world focuses on U.S. action as a brazen violation of global trade rules, the adviser said.

The move is related to an order Trump signed in August that directed Lighthizer to open an investigation against China under Section 301 of the Trade Act of 1974 for violations of U.S. intellectual property rights. Officials have been examining whether any of China's laws, policies, practices or actions force American companies to transfer valuable technology to compete in the market or otherwise fail to adequately protect intellectual property rights.

The uncertainty surrounding the steel and aluminum tariffs and other trade issues, such as the ongoing NAFTA negotiations and the investigation into China's industrial policies, are a "possible headwind" that could undo many of the benefits of tax and regulatory reform, Joshua Bolten, president and CEO of the Business Roundtable, told reporters today.

"The sooner that the administration is able to clarify what it is doing on steel and aluminum and tariffs and the better the administration is able to do in pursuing a coherent strategy in addressing unfair practices around the world, that's rules-based and consistent, the better it will be," Bolten said.

Doug Palmer contributed to this story.

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Republicans abandon tax cut message in Pa. special election [Back](#)

By Kevin Robillard | 03/13/2018 05:01 AM EDT

Republicans backed away from their signature tax-cut law in the final days of a closely watched special House election in the Pittsburgh suburbs — even though it's the very accomplishment on which they had banked their midterm election hopes.

Instead, GOP groups that once proudly declared the tax law would be the central fight of the midterms are now airing ads on so-called sanctuary cities and attacking Democrat Conor Lamb's record as a prosecutor as they try to drag GOP state Rep. Rick Saccone over the finish line in Tuesday's election.

The strategy shift has been dramatic.

For the weeks of Feb. 4 and Feb. 11, roughly two-thirds of the broadcast television ads from Saccone's campaign, the Congressional Leadership Fund super PAC and the National Republican Congressional Committee mentioned taxes, according to a POLITICO analysis of data from Advertising Analytics. For the week of Feb. 18, that dropped to 36 percent, and to 14 percent the week after. Since the beginning of March, tax

ads have been essentially nonexistent. Only two are on the air now — a TV ad from America First Action, a pro-President Donald Trump super PAC that briefly mentions the tax law, and a radio ad from a progressive group attacking Saccone for supporting the law.

If the tax law isn't a reliable vote-winner, it means Republicans may have to find different midterm messaging to go along with a consistent wave of attacks linking Democratic candidates to House Minority Leader Nancy Pelosi. The Pennsylvania race will mark the second major contest of the cycle, following the Virginia governor's race, where Republicans abandoned a tax cut-focused message to hammer a Democrat over immigration and crime.

GOP strategists working on the race scoff at the idea they are abandoning tax cuts as a driving message in the election, noting that Republicans are advertising on the issue online and in mailers. "If the Democrats are willing to sign a deal that the only things we're allowed to argue about for the midterms are the tax cuts and Nancy Pelosi, show me the deal. I'll sign it right now," said Corry Bliss, executive director of the Congressional Leadership Fund.

But other Republicans are beginning to wonder whether the GOP needs to add to its midterm messaging.

"We haven't looked at the polling they've undoubtedly looked at in deciding how to craft their message," said Club for Growth President David McIntosh, asked by a POLITICO reporter about the strategy shift away from tax reform ads and toward cultural issues on C-SPAN's "Newsmakers." "They've clearly looked at it and said these messages are the ones more likely to help Saccone win."

McIntosh, a former congressman from Indiana, said the GOP needs a more forward-looking agenda to build on the tax cuts. "You don't win elections on what you did in the past," he said. "I think most voters will say, 'Good, thank you. What you are going to do next?'"

Democrats, meanwhile, are pointing to the new ads, along with new national polling, to argue the tax law won't be the life preserver to save the Republican Party's sinking midterm hopes.

"If the panacea for Republicans' midterm woes isn't working in a district that Trump won by 20 points, how is it supposed to save them in battleground districts that are far more competitive?" asked Jesse Ferguson, a Democratic strategist who ran the Democratic Congressional Campaign Committee's independent-expenditure arm in 2014. "The tax bill isn't a bulwark. It's backfiring."

Lamb and Saccone are running in Pennsylvania's 18th District, which includes the more educated suburbs of Pittsburgh and working-class exurbs and rural areas. Unlike previous special elections this cycle, which were triggered by Trump's Cabinet appointments, this seat came open when then-Rep. Tim Murphy (R-Pa.) resigned after revelations that he pressured a woman with whom he was having an affair to have an abortion.

Days before his group aired its first ads in the race, Bliss wrote a memo arguing the tax fight would be the signature issue of the midterms in January. "There is no positive outcome in November if we do not show that we cut taxes for the middle class," he wrote in January. But his super PAC has stopped airing ads about the tax cuts.

"The mission right now is base turnout," he said, explaining why his group's ads have gone from single mothers touting how the tax law helps them to attack ads on sanctuary cities and suggesting Lamb went easy on gun runners while serving as a local prosecutor.

While the Lamb campaign decided to rebut GOP attacks linking him to Pelosi (D-Calif.) with an ad reminding voters he's promised not to support her, the only cover he's received on taxes has come in the form of a radio ad from the liberal group Not One Penny.

"Rick Saccone and his friends are flooding the airwaves with negative ads about taxes, but he never mentions how his tax plan hurts Western Pennsylvanians," a male narrator says in the 60-second ad. "Because 83 percent of the new tax cuts go to the wealthiest 1 percent, while people who have to work for a living pay more."

The tax plan included large cuts to the corporate tax rate, while also including 10 years of income tax cuts that will lower the tax bills for the majority of Americans and adding a projected \$1.5 trillion to the deficit.

There are other signs the tax law may not have the vote-moving power Republicans are counting on. After support for the changes to the tax code rose following the law's enactment late last year, polls show the percentage of voters who approve of the law has stagnated. A [Quinnipiac University poll](#) released last week found that just 36 percent of registered voters supported the law, while 50 percent opposed it. And a [poll](#) from Monmouth University, which had earlier showed a narrow plurality approving of the law, showed support dropping to 41 percent of registered voters, with 42 percent opposition.

And even in surveys that show greater support for the law than other polls, like the [POLITICO/Morning Consult poll](#), few voters report seeing more money in their paychecks this year as a result of changes to the tax code.

Back in Pennsylvania, voters are aware Lamb doesn't support the tax law, according to private polling from a Republican group. In late February, 48 percent of likely voters said Lamb didn't support "middle-class tax cuts," while 35 percent said he did.

But messaging on Pelosi — the other key element of the GOP's midterm strategy — appeared more effective. In January, only 45 percent of likely voters thought Lamb backed Pelosi. By late February, that had jumped to 57 percent. (Soon afterward, Lamb began airing ads where he promised not to vote for Pelosi.)

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Trump stuns Capitol Hill with Tillerson firing [Back](#)

By John Bresnahan and Elana Schor | 03/13/2018 02:58 PM EDT

President Donald Trump has disrupted Capitol Hill once again.

Trump's sudden firing of Secretary of State Rex Tillerson Tuesday morning stunned lawmakers in both parties, even those who thought they had gotten used to the president's frenetic style. There was no heads-up from the White House that Tillerson's ouster was coming. Senior Republicans thought Trump and Tillerson had achieved a decent working relationship in recent months, although there was clearly no love for the former Exxon CEO coming from the Oval Office.

It's the latest reminder that Trump has his own plans, and the rest of the party is just going to have to deal with it, no matter how awkward the timing.

GOP congressional leaders are focused on finishing work on a massive spending bill to keep the government running for the rest of the fiscal year and then hope to turn to the battle for control of Congress. But the looming confirmation process for his new nominees ensures that senators will instead spend weeks publicly debating

Trump's policies on Russia, Iran and North Korea, as well as reliving previous fights over terror detainees and allegations of torture by the CIA.

"It adds to our workload, that's for sure," said Senate Majority Whip John Cornyn (R-Texas). "I don't view it as a problem. It's just business that we have to take care of."

Cornyn and Senate Majority Leader Mitch McConnell (R-Ky.) are already pushing for a "quick confirmation" of CIA Director Mike Pompeo as Tillerson's replacement. Trump has tapped Gina Haspel, the deputy CIA director, to succeed Pompeo. Haspel would be the first woman to hold that post, although her role in a hugely controversial CIA interrogation program will be a key part of an upcoming confirmation hearing.

The spectacle of Tillerson being fired via Twitter — Tillerson himself said he didn't speak to Trump until three hours after the president tweeted about it — was too much for many Democrats, who view Trump's Washington as an unending series of scandals, missteps and controversies with no cohesive rhyme or rhythm. If there is a method to Trump's madness, Democrats don't see it.

"President Trump has demonstrated yet again that he is the Commander-in-Chaos," said Sen. Bob Menendez (N.J.), who as the top Democrat on the Senate Foreign Relations Committee will play a key role in the confirmation hearings of CIA Director Mike Pompeo to replace Tillerson.

Menendez — recently acquitted on federal bribery charges and now running hard for reelection — was noncommittal on whether he would oppose Pompeo's confirmation as the 70th secretary of State. Menendez voted against Pompeo for CIA director last year. Overall, 31 Democrats and one Republican, Sen. Rand Paul of Kentucky, opposed Pompeo's ascension to head of the CIA.

"The question is that being the CIA director is one skill set, while being secretary of State is another," Menendez said.

Liberal Democrats and progressive groups are already teeing off on Pompeo's selection, saying he has not done enough to highlight Russian interference in the 2016 election, among his other shortcomings.

Although Democrats will have a hard time derailing Pompeo's bid, given his lack of opposition from a GOP that knows him well from his years in the House, he's likely to face a far more partisan confirmation vote than Tillerson.

"If he's being hired simply to more efficiently destroy the State Department, I think it would hard to get Democratic votes," Sen. Chris Murphy (D-Conn.) told reporters.

Yet some red state Democrats, especially those up for reelection this November, signaled they are open to backing Pompeo's nomination. Sen. Joe Manchin (D-W.Va.) noted that he voted for Pompeo for CIA director and has had good interactions with him as an Intelligence Committee member.

"He's been straightforward," Manchin said. "He comes in there, he's well-received, and he's very candid."

Haspel is also coming under intense criticism from Democrats over her role in overseeing the agency's interrogation program for terror detainees, including allegedly destroying videotapes of the interrogations of two suspects.

"Ms. Haspel's background makes her unsuitable to serve as CIA director," Sen. Ron Wyden (D-Ore.) said in a statement. "Her nomination must include total transparency about this background, which I called for more than

a year ago when she was appointed deputy director. If Ms. Haspel seeks to serve at the highest levels of U.S. intelligence, the government can no longer cover up disturbing facts from her past."

However, Sen. Dianne Feinstein (D-Calif.), who oversaw an Intelligence Committee report on the CIA's interrogation program, said she has not ruled out voting for Haspel.

"I think it's something that can't be forgotten. I'm certainly not going to forget it, and I won't let any [CIA] director forget it," Feinstein said. "Right now, I'm waiting for the hearings."

Senate Foreign Relations Committee Chairman Bob Corker (R-Tenn.), who has had his own love-hate relationship with Trump, said he was given no warning on Tillerson's firing, despite the fact that he talked to the president on Friday.

"I found out about it the way I find out about a lot of things — from you all," Corker told reporters. "I had felt to a degree there had been a reprieve of some kind [in the Trump-Tillerson relationship], since about the first of December, relative to how they were working together... This president is very entrepreneurial the way he goes about things... It's understandable there would be differences there."

Tillerson was even supposed to be appearing before the Foreign Relations Committee on Thursday to discuss the State Department's fiscal 2019 budget request.

Corker, who was close to Tillerson, didn't say whether he'd support Pompeo, although it would be astonishing if Senate Republicans don't back his nomination.

"I don't know Pompeo very well. I know his background, our lanes have just not crossed," Corker added. "He's gonna come over later this week and we'll sit down and talk some."

Tillerson may not have been loved by Trump, who could never seem to get used to his style, but Tillerson definitely had his supporters up on Capitol Hill. Tillerson liked process, and that's something lawmakers understand at a deep level.

"I like Rex Tillerson. I think he did a very good job," said Sen. Orrin Hatch (R-Utah). "But it was clear the chemistry wasn't there with the president. And I don't know that using the word fired is right. I think it's a mutual decision."

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